

# TRANSPORTATION REVENUE TRACKING REPORT

## DEPARTMENT OF MOTOR VEHICLES

### HIGHWAY MAINTENANCE & OPERATING AND TRANSPORTATION TRUST FUNDS STATE TAXES AND FEES (\$ Thousands)

Revenue Sources	FY 02 _1/ Forecast	October-01		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change	
							Actual	Forecast
Motor Fuels Taxes _2/	\$790,905	\$71,801	(2.9)	\$209,233	\$232,129	(\$22,896)	(7.4)	2.7
Motor Vehicle Sales & Use Tax _3/	508,810	47,184	8.0	180,173	179,846	326	1.0	0.8
State Retail Sales Tax	415,600	31,805	(4.9)	130,276	137,395	(7,119)	(0.7)	4.7
Motor Vehicle Licenses	144,201	12,417	7.7	49,900	47,974	1,926	4.6	0.5
International Registration Plan	60,704	3,749	87.6	18,519	15,487	3,033	35.6	13.4
Priority Transportation Fund	27,500	3,510	7,330.1	5,510	7,750	(2,240)	11,564.1	16,307.0
Interest Earnings	3,452	1,967	(47.4)	1,977	863	1,114	(37.6)	(72.8)
Miscellaneous _4/	14,907	1,946	95.4	7,852	4,584	3,268	24.1	(27.5)
Total State Taxes and Fees	<b>\$1,966,079</b>	<b>\$174,379</b>	<b>3.0</b>	<b>\$603,440</b>	<b>\$626,028</b>	<b>(\$22,588)</b>	<b>(0.5)</b>	<b>3.2</b>

\_1/ November 2000 Forecast.

\_2/ Includes the road tax and applicable aviation taxes.

\_3/ Includes applicable rental tax.

\_4/ Miscellaneous fees in the Highway Maintenance and Operating Fund.

Note: Due to rounding columns may not add up exactly

#### Bottom Line

Revenue growth slowed during the month of October to 3.0%. This is following a strong October 2000, when revenue grew by 17.5%. Keeping this growth alive were gains in new and used vehicle sales and registrations. IRP registrations, which typically have large swings, and liquidated damages collections both contributed to the growth in October. Revenue is down by (0.5%) on a year-to-date basis and collections are below forecast by over \$22 million, or (3.6%).

#### Motor Fuels Tax

Revenue from motor fuels tax fell by (2.9%) in October as August taxable gallons fell by (3.6%). Revenue collections took a hit in July 2001, falling (83.0%), as a result of a change in the due date for tax collections from the fifth to the twentieth of each month. This is contributing to the (7.4%) decrease in fiscal year-to-date collections. This negative variance is expected to diminish during the second half of the fiscal year. OPEC voted to cut production levels, but without support from non-OPEC countries, like Russia, they will be unsuccessful. Average grade US gasoline prices fell for the ninth straight week to \$1.21 per gallon. Expect November taxable gallons to grow as the percentage of Thanksgiving travelers making their journey by vehicle is expected to hit record levels this year.

#### Motor Vehicle Sales and Use Tax

Motor vehicle sales and use tax collections realized strong gains over October 2000, growing 8.0%. This brings the revenue source ahead by 1.0% on a year-to-date basis. As manufacturers continued 0.0% financing incentives, national new vehicle sales hit a record high level of 21.3 million units in October. In Virginia, new taxable titles grew by 9.1%

while used taxable titles grew by 2.1%. This caused taxable vehicle sales, a function of both price and sales volumes, to increase 9.1%. Average prices of motor vehicles increased 4.9% in October due to the high number of new vehicles sold. New vehicles constituted 27.6% of all taxable titles in October 2001, compared to 26.3% one year ago.

#### State Retail Sales Tax

State retail sales tax collections took a hit in October, falling by (4.9%). This leaves year-to-date collections down by (0.7%). The October numbers reflect September activity, which include the impact of the terrorist attacks. This revenue source is currently (5.2%) below the November 2000 forecast on a year-to-date basis.

#### Motor Vehicle Licenses

Motor vehicle licensing collections grew by 7.7% in October as many citizens opt for the two-year licensing option. Two-year vehicle registrations grew by 19.2% for the month and they are ahead by 11.3% on a year-to-date basis. The discount was changed in July 2000 to provide incentives for the two-year option and we are still seeing the effects this fiscal year. Total vehicle registration transactions are ahead by 2.2% on a year-to-date basis.

#### Other Revenues

Liquidated damages revenue collections, which is a part of miscellaneous revenue, is experiencing strong growth due to new legislation that increases the fees associated with overweight trucks. Collections are up by 89.8% this year. Due to low cash balances and low rates, interest collections are down by 37.6% this fiscal year.

## HIGHWAY MAINTENANCE AND OPERATING FUND (HMOF)

(\$ in Thousands)

Revenue Sources	FY 02 _1/ Forecast	October-01		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	% Change Forecast
Motor Fuels Taxes _2/	\$683,173	\$60,755	(6.4)	\$177,929	200,833	(\$22,904)	(9.3)	2.4
Motor Vehicle Sales and Use Tax	326,570	30,198	6.6	117,162	118,239	(1,078)	0.9	1.9
Motor Vehicle Licenses	125,218	10,770	6.5	43,660	41,363	2,297	4.6	(0.9)
International Registration Plan	60,704	3,749	87.6	18,519	15,487	3,033	35.6	13.4
Miscellaneous	<u>14,907</u>	<u>1,946</u>	<u>95.4</u>	<u>7,852</u>	<u>4,584</u>	<u>3,268</u>	<u>24.1</u>	<u>(27.5)</u>
Total State Taxes and Fees	<b>\$1,210,572</b>	<b>\$107,418</b>	<b>1.0</b>	<b>\$365,122</b>	<b>\$380,505</b>	<b>(\$15,383)</b>	<b>(2.3)</b>	<b>1.8</b>
Federal Grants and Contracts _3/	22,732	2,678	341.9	4,509	n/a	n/a	41.6	n/a
Transfer to TTF _4/	<u>(28,711)</u>	<u>0</u>	<u>#N/A</u>	<u>(638)</u>	<u>n/a</u>	<u>n/a</u>	<u>#N/A</u>	<u>n/a</u>
<b>Total HMOF</b>	<b>\$1,204,593</b>	<b>\$110,096</b>	<b>2.9</b>	<b>\$368,993</b>	<b>n/a</b>	<b>n/a</b>	<b>(2.0)</b>	<b>n/a</b>

\_1/ November 2000 Forecast.

\_2/ Includes the road tax.

\_3/ Revenues reflect prior period activity and are not a reliable measure of revenue or fiscal capacity of the State's program.

\_4/ Current law provides for balances to be transferred to the Transportation Trust Fund (TTF).

Note: Due to rounding columns may not add up exactly.

## TRANSPORTATION TRUST FUND

(\$ in Thousands)

Revenue Sources	FY 02 _1/ Forecast	October-01		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	% Change Forecast
Motor Fuels Taxes _2/	\$107,732	\$11,047	22.2	\$31,304	\$31,296	\$8	4.8	4.8
Motor Vehicle Sales and Use Tax _3/	182,240	16,986	10.7	\$63,011	61,607	1,404	1.2	(1.1)
Priority Transportation Fund	27,500	3,510	7,330.1	\$5,510	7,750	(2,240)	11,564.1	16,307.0
State Retail Sales Tax	415,600	31,805	(4.9)	\$130,276	137,395	(7,119)	(0.7)	4.7
Motor Vehicle Licenses	18,983	1,647	16.4	\$6,240	6,611	(371)	4.4	10.6
Interest Earnings	<u>\$3,452</u>	<u>1,967</u>	<u>(47.4)</u>	<u>\$1,977</u>	<u>863</u>	<u>1,114</u>	<u>(37.6)</u>	<u>(72.8)</u>
Total State Taxes and Fees	<b>\$755,507</b>	<b>\$66,961</b>	<b>6.3</b>	<b>\$238,318</b>	<b>\$245,523</b>	<b>(\$7,205)</b>	<b>2.5</b>	<b>5.6</b>
Federal Grants and Contracts _4/	936,383	61,235	41.9	347,911	n/a	n/a	119.4	n/a
Local Contributions _5/	31,907	697	(30.2)	12,784	n/a	n/a	52.8	n/a
Toll and Other Revenues _6/	64,621	6,925	67.1	26,309	n/a	n/a	(5.0)	n/a
Transfers from HMOF	<u>28,711</u>	<u>0</u>	<u>#N/A</u>	<u>0</u>	<u>n/a</u>	<u>n/a</u>	<u>(12.8)</u>	<u>n/a</u>
<b>Total TTF</b>	<b>\$1,817,129</b>	<b>\$135,818</b>	<b>22.0</b>	<b>\$625,322</b>	<b>n/a</b>	<b>n/a</b>	<b>98.8</b>	<b>n/a</b>

## TOTAL TRANSPORTATION FUNDS

<b>Total HMOF &amp; TTF Revenues</b>	<b><u>\$3,021,722</u></b>	<b><u>\$245,914</u></b>	<b><u>12.7</u></b>	<b><u>\$994,315</u></b>	<b><u>n/a</u></b>	<b><u>n/a</u></b>	<b><u>23.7</u></b>	<b><u>n/a</u></b>
--------------------------------------	---------------------------	-------------------------	--------------------	-------------------------	-------------------	-------------------	--------------------	-------------------

\_1/ November 2000 Forecast.

\_2/ Includes road and aviation fuel taxes.

\_3/ Includes applicable rental tax.

\_4/ Revenues reflect prior period activity and are not a reliable measure of revenue or the fiscal capacity of the State's program.

\_5/ Local government contributions are received on a cost-share basis as provided by law.

## **Hybrid SUVs are in the Near Future**

### **Part 2 of 2**

Last month, this report presented some analysis on the upcoming Hybrid SUV market. This month's report will take a closer look at some of the specific manufacturers that are designing these vehicles. So far, the "Big Three", Ford Motor Company, General Motors and DaimlerChrysler, have announced that they are designing their own Hybrid SUV for market introduction between model-year 2003-2005.

So far, there are only two manufacturers that produce these types of vehicles, Toyota and Honda. However, the current design of these vehicles does not entice SUV owners to run out and purchase these vehicles. The Toyota Prius is the four-door HEV that has 11.8 cubic feet of cargo room. The Honda Insight is the two-passenger HEV that has 16.3 cubic feet of cargo room. This pales in comparison to the most popular selling SUV on the roads today, the Ford Explorer. The 2002 model of the Ford Explorer has 41.4 cubic feet of cargo room and is more passenger-friendly. The Ford version of the compact SUV, the Escape has 33 cubic feet of cargo room and is expandable to 64 cubic feet if the back seat is folded down. There does not seem to be much of a comparison between current HEVs and SUVs in terms of cargo space. SUV buyers consider ample cargo room and passenger seating a necessity.

Ford Motor Company has announced that they are setting new fuel efficiency goals for their entire line of SUVs. Ford estimates that the average fuel efficiency for the SUV line will increase by about 25% within the next five years. They plan to attain this goal by making SUVs lighter by more use of aluminum and plastic, use of a hybrid-fuel engine system and by manufacturing smaller trucks. Ford is planning on introducing their first gas-electric hybrid SUV, the 2003 Escape, which is estimated to get 38mpg with this new system in comparison to the 28mpg in the fuel only version. Ford will also

introduce this HEV technology in a hybrid version of the Explorer SUV slated for 2005. It is estimated to get 27mpg in combined city-highway driving compared to the current 16mpg.

General Motors also has plans to enter the hybrid truck market with their hybrid version of the Chevy Silverado and the GMC Sierra. These vehicles are being slated for 2004 and will achieve fifteen percent better gas mileage.

DaimlerChrysler is planning on introducing a hybrid Dodge Durango in 2003. It is estimated that the new Durango would get about 18.6mpg in combined city-highway driving, which is an increase of 20% over current models. There is a significant difference between what DaimlerChrysler is doing compared to Ford and GM. Ford and GM insert an electric motor between the gas engine and the transmission. However, DaimlerChrysler will have no connection between the two. The gas engine will drive the rear wheels and the electric motor will drive the front wheels. This hybrid will improve DaimlerChrysler's federal corporate average fuel economy rating, allowing it to sell larger trucks and SUVs.

The introduction of the hybrid SUV is the best thing for the market. Many people use the efficiency as a reason to not purchase this type of vehicle. However, this has not hindered the sale of SUVs to any significant degree. In times of rising incomes and increasing wealth, higher energy prices are not a significant deterrent. For those that have been using vehicle efficiency as a reason to not buy an SUV, their argument has been partially answered by the introduction of the hybrid. Now SUV owners will be able to keep their sense of security and safety, enjoy their spacious interior and also have the added benefit of a more fuel-efficient vehicle.

### Key Revenue Indicator Tracking Report October-01

Key Indicator	FY 2001 Total	FY 2002 Forecast*	Month		%	Year-to-Date		% Annual Growth	
			FY 2002	FY 2001		FY 2002	FY 2001	Change	Required By Forecast
<u>Net Taxable Gallons (000's)</u>	4,746,431	4,596,020							(3.2)
Aug-01			428,199	444,158	(3.6)	835,553	822,897	1.5	
<u>Total Taxable Vehicle Sales (000's)</u>	<u>16,052,879</u>	<u>\$16,818,133</u>	<u>\$1,515,256</u>	<u>\$1,399,220</u>	9.1	<u>\$5,823,988</u>	<u>\$5,718,057</u>	1.9	3.5
New Taxable Vehicle Sales (000's)	8,984,267	9,158,863	903,588	798,298	13.2	3,291,390	3,258,262	1.0	1.9
Used Taxable Vehicle Sales (000's)	7,068,613	7,459,270	611,668	590,922	3.5	2,532,598	2,459,795	3.0	5.5
<u>Total Taxable Titles</u>	<u>1,564,701</u>	<u>1,566,590</u>	<u>138,030</u>	<u>132,744</u>	4.0	<u>552,878</u>	<u>550,045</u>	0.5	0.1
New Taxable Titles	397,904	390,420	38,154	34,964	9.1	145,120	146,360	(0.8)	(1.9)
Used Taxable Titles	1,166,797	1,176,170	99,876	97,780	2.1	407,758	403,685	1.0	0.8
<u>Average Price All Motor Vehicles</u>	<u>\$10,253</u>	<u>\$10,606</u>	<u>\$10,978</u>	<u>\$10,465</u>	4.9	<u>\$10,618</u>	<u>\$10,395</u>	2.2	3.4
Average Price New Vehicles	22,579	23,459	23,683	22,832	3.7	22,680	22,262	1.9	3.9
Average Price Used Vehicles	6,058	6,342	6,124	6,043	1.3	6,211	6,093	1.9	4.7
<u>Total Vehicle Registrations</u>	<u>5,877,617</u>	<u>6,033,080</u>	<u>491,400</u>	<u>461,059</u>	6.6	<u>2,000,171</u>	<u>1,957,127</u>	2.2	2.6
One-Year Registrations	5,016,212	5,235,080	418,459	399,849	4.7	1,692,008	1,680,136	0.7	4.4
Two-Year Registrations	861,405	798,000	72,941	61,210	19.2	308,163	276,991	11.3	(7.4)

### Twelve Month Rolling Average<sup>1</sup> October-01

Revenue Source <sup>2</sup>	From 11-00 to 10-01	From 11-99 to 10-00	Percent Difference
	(\$Thousands)		
<u>Motor Fuels Tax</u>	<u>\$63,454</u>	<u>\$65,827</u>	-3.60%
Motor Fuels Tax <sup>3</sup>	\$62,313	\$64,740	-3.75%
Aviation	\$151	\$130	15.99%
Road Tax	\$991	\$957	3.52%
<u>Vehicle Sales Tax</u>	<u>\$42,018</u>	<u>\$42,462</u>	-1.05%
Vehicle Sales Tax	\$41,490	\$41,908	-1.00%
Rental Tax	\$528	\$554	-4.63%
Retail Sales Tax	\$32,253	\$31,668	1.85%
Motor Vehicle License	\$12,441	\$11,983	3.82%
IRP	\$4,663	\$4,358	7.00%

<sup>1</sup>October 2000 Forecast

<sup>2</sup> Of Selected Revenue Sources

<sup>3</sup> Includes HMOF and TTF

<sup>4</sup> Includes Clean Special Fuels Tax Revenues